



Mtubatuba Municipality
(Registration number KZN 275)

Annual Financial Statements
for the year ended 30 June 2017

Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity

Municipality

Mayoral committee

Executive Committee

Cllr MQ Mkhwanazi - Mayor
Cllr MS Gumede - Deputy Mayor
Cllr MM Davies - Speaker

Councillors

Cllr MP Ndlovu
Cllr LM Mkhwanazi
Cllr VT Ncamphalala
Cllr MZ Shobede
Cllr MA Gina
Cllr PS Tembe
Cllr SJ Shezi
Cllr RM Bukhosini
Cllr SM Khumalo
Cllr NE Zuma
Cllr LG Mkhwanazi
Cllr RBB Mkhwanazi
Cllr VVB Madonsela
Cllr PM Mkhwanazi
Cllr SNS Sibiya
Cllr DR Ntuli
Cllr ZW Matonsi
Cllr SJ Khoza
Cllr SR Khumalo
Cllr SM Gumede
Cllr MC Funeka
Cllr JM Gumede
Cllr FN Mpanza
Cllr PK Msweli
Cllr TW Muyeni
Cllr GBM Msane
Cllr M Mthethwa
Cllr PS Manqele
Cllr AV Mabika
Cllr PV Ntshalintshali
Cllr JB Lembede
Cllr TP Zikhali
Cllr ZN Mthethwa
Cllr KN Mpontshana
Cllr ZE Nyawo
Cllr SC Mkhwanazi
Cllr NG Gina

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General Information

Grading of local authority	Grade 3
Accounting Officer	Mr JA Mngomezulu
Acting Chief Finance Officer (CFO)	Mr TS Cele
Registered office	Lot 105 Inkosi Mtubatuba Road Mtubatuba 3935
Business address	Lot 105 Inkosi Mtubatuba Road Mtubatuba 3935
Postal address	PO Box 52 Mtubatuba 3935
Bankers	First National Bank Mtubatuba
Auditors	Auditor General South Africa Registered Auditors
Lawyers	Ngubane & Associates

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Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers(Previously IMFO)
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant

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Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that they are ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the municipality sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 6 to 54, which have been prepared on the going concern basis, were approved by the council on 31 August 2017 and were signed on its behalf by:

Mr JA Mngomezulu
Accounting Officer

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Auditor's Report

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

	Note(s)	2017 R	2016 Restated* R
Assets			
Current Assets			
Receivables from non-exchange transactions	7	1,719,079	1,087,698
VAT receivable	8	3,477,449	9,273,871
Trade and other receivables from exchange transactions	9	28,881,817	23,316,216
Cash and cash equivalents	10	7,575,327	16,160,895
		41,653,672	49,838,680
Non-Current Assets			
Investment property	4	41,634,000	41,936,000
Property, plant and equipment	3	362,066,911	321,272,121
Intangible assets	5	621,155	178,095
Heritage assets	6	1,024,835	1,024,835
		405,346,901	364,411,051
Total Assets		447,000,573	414,249,731
Liabilities			
Current Liabilities			
Finance lease obligation	11	-	49,128
Payables from exchange transactions	14	27,615,611	19,715,659
Payroll accruals	15	1,940,351	1,507,597
Unspent conditional grants and receipts	12	2,448,173	2,512,244
Provisions	13	63,399	64,261
Income received in advance - credit balances in debtors	9	1,213,497	835,591
		33,281,031	24,684,480
Non-Current Liabilities			
Employee benefit obligation	36	2,302,000	2,292,000
Provisions	13	23,542,549	23,140,370
		25,844,549	25,432,370
Total Liabilities		59,125,580	50,116,850
Net Assets		387,874,993	364,132,881
Accumulated surplus		387,874,993	364,132,881

* See Note 29

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Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

	Note(s)	2017 R	2016 Restated* R
Revenue			
Revenue from exchange transactions			
Refuse removal		4,012,335	3,436,043
Rendering of security services		1,940,805	1,650,474
Rental of facilities and equipment		234,952	214,128
Interest on consumer debtors		8,271,945	6,152,530
Licences and permits		2,506,447	2,347,949
Administration and management fees received		8,549	461,712
Fees earned		395,482	290,922
Interest received - investment	39	2,014,252	1,677,647
Total revenue from exchange transactions		19,384,767	16,231,405
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	37	31,196,046	28,739,395
Transfer revenue and fines			
Government grants & subsidies	16	173,777,071	157,467,696
Fines	38	1,896,562	1,644,835
Total revenue from non-exchange transactions		206,869,679	187,851,926
Total revenue		226,254,446	204,083,331
Expenditure			
Employee related costs	18	(55,096,432)	(41,861,537)
Remuneration of councillors	19	(12,442,364)	(11,801,471)
Depreciation and amortisation	21	(27,239,725)	(21,479,976)
Finance costs	22	(2,110,656)	(6,655,051)
Debt Impairment	20	(18,621,930)	(17,517,981)
Contracted services	24	(23,048,547)	(16,747,412)
General Expenses	17	(64,261,637)	(53,244,487)
Total expenditure		(202,821,291)	(169,307,915)
Operating surplus		23,433,155	34,775,416
Profit/Loss on disposal of assets		(1,737)	(1,014,211)
Fair value adjustments		-	(1,384,130)
Assets written-off		(302,000)	(5,790,496)
		(303,737)	(8,188,837)
Surplus for the year		23,129,418	26,586,579

* See Note 29

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Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2015	337,965,080	337,965,080
Changes in net assets		
Surplus for the year	26,586,579	26,586,579
Prior period errors	(418,778)	(418,778)
Total changes	26,167,801	26,167,801
Balance at 01 July 2016	364,132,881	364,132,881
Changes in net assets		
Surplus for the year	23,129,418	23,129,418
Newly identified assets	612,694	612,694
Total changes	23,742,112	23,742,112
Balance at 30 June 2017	387,874,993	387,874,993

Refer to Note 29 for prior period errors

* See Note 29

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Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

	Note(s)	2017 R	2016 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		25,644,211	22,966,672
Grants		173,713,000	157,172,219
Interest income		2,014,252	1,677,647
Fines		201,790	151,920
		<u>201,573,253</u>	<u>181,968,458</u>
Payments			
Employee costs		(67,538,796)	(52,304,439)
Suppliers		(74,508,362)	(73,886,955)
Finance costs		(222,942)	(1,147,306)
		<u>(142,270,100)</u>	<u>(127,338,700)</u>
Net cash flows from operating activities	25	<u>59,303,153</u>	<u>54,629,758</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(67,036,483)	(48,956,110)
Purchase of other intangible assets	5	(1,365,976)	-
Proceed on asset disposal		184,960	-
Net cash flows from investing activities		<u>(68,217,499)</u>	<u>(48,956,110)</u>
Cash flows from financing activities			
Movement in income received in advance		377,906	(1,134,509)
Finance lease payments		(49,128)	(624,130)
Repayment of long term loan - DBSA		-	(1,598,827)
Net cash flows from financing activities		<u>328,778</u>	<u>(3,357,466)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(8,585,568)</u>	<u>2,316,182</u>
Cash and cash equivalents at the beginning of the year		16,160,895	13,844,713
Cash and cash equivalents at the end of the year	10	<u>7,575,327</u>	<u>16,160,895</u>

* See Note 29

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	4,050,731	-	4,050,731	4,012,335	(38,396)	
Rendering of services	1,960,558	-	1,960,558	1,940,805	(19,753)	
Rental of facilities and equipment	205,566	47,964	253,530	234,952	(18,578)	
Interest on consumer debtors	7,302,357	605,020	7,907,377	8,271,945	364,568	
Licences and permits	3,336,470	(948,230)	2,388,240	2,506,447	118,207	
Administration and management fees received	-	-	-	8,549	8,549	
Fees earned	445,442	(194,074)	251,368	395,482	144,114	1
Interest received - investment	3,500,000	(723,259)	2,776,741	2,014,252	(762,489)	2
Total revenue from exchange transactions	20,801,124	(1,212,579)	19,588,545	19,384,767	(203,778)	

Revenue from non-exchange transactions

Property rates	30,455,040	5,052,669	35,507,709	31,196,046	(4,311,663)	3
Government grants & subsidies	170,627,000	4,000,000	174,627,000	173,777,071	(849,929)	
Fines	1,356,368	727,148	2,083,516	1,896,562	(186,954)	
Total revenue from non-exchange transactions	202,438,408	9,779,817	212,218,225	206,869,679	(5,348,546)	
Total revenue	223,239,532	8,567,238	231,806,770	226,254,446	(5,552,324)	

Expenditure

Employee related costs	(48,318,185)	(5,977,000)	(54,295,185)	(55,096,432)	(801,247)	
Remuneration of councillors	(11,219,248)	(1,703,914)	(12,923,162)	(12,442,364)	480,798	
Depreciation and amortisation	(18,500,000)	(1,000,000)	(19,500,000)	(27,239,725)	(7,739,725)	4
Finance costs	(200,000)	(417,693)	(617,693)	(2,110,656)	(1,492,963)	5
Debt written off and credit impairment	(9,124,464)	-	(9,124,464)	(18,621,930)	(9,497,466)	6
Contracted Services	(18,817,068)	(1,864,000)	(20,681,068)	(23,048,547)	(2,367,479)	
Transfers and grants	(150,000)	-	(150,000)	-	150,000	
General Expenses	(52,065,464)	(6,190,428)	(58,255,892)	(64,261,637)	(6,005,745)	7
Total expenditure	(158,394,429)	(17,153,035)	(175,547,464)	(202,821,291)	(27,273,827)	
Operating surplus	64,845,103	(8,585,797)	56,259,306	23,433,155	(32,826,151)	
Loss on disposal of assets and liabilities	-	-	-	(1,737)	(1,737)	
Assets written off	-	-	-	(302,000)	(302,000)	
	-	-	-	(303,737)	(303,737)	
Surplus before taxation	64,845,103	(8,585,797)	56,259,306	23,129,418	(33,129,888)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	

(1) The municipality has generated more income from fees earned than it was budgeted for when compared with budgeted earnings. This is evidenced by a favourable variance of R144 154 which 57% of the budgeted earnings this was caused by the high number of sale documents, search fees, burial fees, building plans and rate clearance.

(2) Interest received reflects an adverse variance of R762 489 and this is due to low rate of funds deposited in the investment accounts due to fast tracking of service delivery.

(3) The cause of the adverse variance was due supplementary valuation roll that we received came with objections which reduced the market values of most properties.

(4) This line item is under budgeted.

(5) The finance charges reflect an adverse variance of R1 475 685, which is 239%. This is due to the municipality not catering for finance costs of the landfill site.

(6) We had approved indigents which were written off and we also had properties which were incorrectly billed and they were written off, we also had reversal of interest to those customers which settled their debts.

(7) The variance in general expenditure is due to high expenditure in special programmes, subsistence and travelling, public participation, disaster management relief, electricity, legal costs, membership fees, publicity and advertising, councillors trainings and staff training. This expenditure was reported to the council.

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Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. The figures in these annual financial statements have been rounded to the nearest rand (i.e. no cents).

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with those applied in the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables, held at amortised cost, for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or loss, the management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

In making the estimation of impairment, management of the municipality considers the detailed criteria of impairment of financial assets as set out in GRAP 104.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible and intangible assets are inherently uncertain and could materially change over time.

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Provision for landfill site

The entity has an obligation to rehabilitate its landfill site in terms of its licence stipulations. Provision is made for this obligation based on the size/ extent of the land to be rehabilitated, the rehabilitation cost per square metre, the monitoring cost per square metre, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and then discounted to their present value to represent the time value of money.

Other provisions

The municipality's other provisions consist of a provision for long service award. Provisions are measured as the present value of the estimated future outflows required to settle the obligation.

Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 36.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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Accounting Policies

1.4 Investment property (continued)

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent measurement

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus for the period in which it arises.

The carrying amount of an item of investment property is derecognised on disposal or when no future economic benefit or service potential are expected from its use or disposal. Transfers to, or from, investment property is made when, and only when, there is a change in use.

Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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Accounting Policies

1.5 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one accounting period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	30
Plant and machinery	Straight line	
• Specialised plant and equipment		10 - 15
• Other items of plant and equipment		2 - 5
Furniture and fixtures	Straight line	7 - 10
Motor vehicles	Straight line	5 - 10
Office equipment	Straight line	7 - 10
Infrastructure	Straight line	
• Roads and paving		15
• Pedestrian malls		30
• Electricity		20
• Water		15
• Housing		30
• Landfill sites		15
• Sewerage		15 - 20
Community	Straight line	
• Recreational facilities		20 - 30
• Security measures		5
Other property, plant and equipment	Straight line	5 - 10
• Bins and containers		5
• Specialised vehicles		5 - 20

The municipality assess at each reporting date whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors .

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Accounting Policies

1.5 Property, plant and equipment (continued)

In assessing whether there is any indication that the expected useful life of an asset has changed, the municipality considers the following indications:

- (a) The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed.
- (b) The use of the asset has changed, because of the following:
 - (i) The municipality has changed the manner in which the asset is used.
 - (ii) The municipality has changed the utilisation rate of the asset.
 - (iii) The municipality has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used.
 - (iv) Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
 - (v) Legal or similar limits placed on the use of the asset have changed.
 - (vi) The asset was idle or retired from use during the reporting period.
- (c) The asset is approaching the end of its previously expected useful life.
- (d) Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed.
- (e) Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.
- (f) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
- (g) The asset is assessed as being impaired in accordance with GRAP 21 and GRAP 26.

In assessing whether there is any indication that the expected residual value of an asset has changed, the municipality shall consider whether there has been any change in the expected timing of disposal of the asset, as well as any relevant indicators included in the paragraph above.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or loss unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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1.6 Intangible assets (continued)

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

Intangible assets are derecognised:

- on disposal; or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

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1.8 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at amortised cost.
- Financial liabilities measured at amortised cost.
- Financial instruments at fair value.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value plus in case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to acquisition or issue.

Transaction costs on financial instruments at fair value through surplus or loss are recognised in surplus or loss.

Subsequent measurement

Financial instruments at fair value are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or loss for the period.

Financial assets and liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets; (individually for all significant debtors account and collectively for other debtors with similar credit risk characteristics), other than those at fair value, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or loss.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or loss when there is objective evidence that the asset is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in surplus or loss within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or loss.

Trade and other receivables are classified as financial assets at amortised cost.

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1.8 Financial instruments (continued)

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at amortised cost.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

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1.10 Impairment of cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or loss.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying value amount with its recoverable amount. This impairment test is performed at the same time every year.

Value in use

Value in use of cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

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1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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1.11 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- plus any liability that may arise as a result of a minimum funding requirement

Any adjustments arising from the limit above is recognised in surplus or loss.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or loss, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

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Accounting Policies

1.11 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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Accounting Policies

1.13 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff.

Service charges relating to security services are recognised on a monthly basis in arrears by applying the approved tariff.

Interest income

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or loss, using the effective interest rate method.

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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1.14 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summons. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summons the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. Revenue on both spot fines and summons is recognised based on the amount of each fine issued. Any subsequent court reduction on the amount of fines issued is accounted for as a change in the estimated revenue.

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1.14 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any conditions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Conditions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other conditions have been complied with.

1.15 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds. These costs are recognised as expenses in surplus or deficit for the year.

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.17 Unauthorised expenditure

Unauthorised expenditure in relation to a Municipality, means any expenditure incurred by a municipality otherwise than in accordance with Section 15 or 11(3), and includes-

- Overspending of the total amount appropriated in the municipality's approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote;
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

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1.19 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure, in relation to a municipality, means-

- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of this Act and which has not been condoned in terms of section 170;25
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of the Act;
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Beaes Act, 1998 (Act 30 No. 20 of 1998) or
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in 35 terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

1.20 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.21 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis.

The approved budget covers the fiscal period from 01/07/2016 to 30/06/2017.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

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1.22 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.23 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.24 Events after the reporting date

Events after the reporting date that have been classified as adjusting events are accounted for in the annual financial statements. Events after the reporting date that are classified as non-adjusting events after reporting date are disclosed in the notes to the annual financial statements.

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Notes to the Annual Financial Statements

	2017 R	2016 R
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 16 (as amended 2015): Investment Property	01 April 2016	The impact of the amendment is not material.
<ul style="list-style-type: none">GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 34: Separate Financial StatementsGRAP 38: Disclosure of Interests in Other EntitiesGRAP 110: Living and Non-Living ResourcesGRAP 35: Consolidated Financial StatementsGRAP 36: Investments in Associates and Joint VenturesGRAP 37: Joint ArrangementsGRAP 18: Segment ReportingGRAP 20: Related partiesGRAP 32: Service Concession Arrangements: GrantorGRAP 108: Statutory ReceivablesGRAP 109: Accounting by Principals and AgentsGRAP 21 (as amended 2015): Impairment of non-cash-generating assets	<ul style="list-style-type: none">No effective date as yetNo effective date as yetNo effective date as yetNo effective date as yetNo effective date as yetNo effective date as yetNo effective date as yetNo effective date as yet01 April 201701 April 2017No effective date as yet01 April 2017	<ul style="list-style-type: none">Not ApplicableThe impact is not material.
<ul style="list-style-type: none">GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017	The impact of the amendment is not material.

Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

3. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	30,687,190	-	30,687,190	30,991,190	-	30,991,190
Buildings	41,174,945	(8,034,090)	33,140,855	40,376,198	(6,674,957)	33,701,241
Plant and machinery	2,692,607	(776,032)	1,916,575	1,174,231	(382,522)	791,709
Furniture and fixtures	2,784,026	(1,631,033)	1,152,993	2,471,016	(1,430,243)	1,040,773
Motor vehicles	11,259,212	(3,825,061)	7,434,151	10,388,582	(3,814,067)	6,574,515
Office equipment	4,823,021	(1,397,660)	3,425,361	3,192,376	(861,637)	2,330,739
Infrastructure	243,734,385	(74,933,258)	168,801,127	225,046,588	(55,692,403)	169,354,185
Community	64,125,562	(15,620,838)	48,504,724	60,828,863	(12,403,419)	48,425,444
Bins and containers	1,726,161	(469,957)	1,256,204	1,726,161	(274,036)	1,452,125
Other property, plant and equipment	795,756	(207,884)	587,872	529,616	(138,470)	391,146
Specialised vehicles	1,150,000	(134,166)	1,015,834	1,150,000	(76,667)	1,073,333
Water tanks	260,247	(72,326)	187,921	183,247	(35,880)	147,367
Work-in-progress	63,956,104	-	63,956,104	24,998,354	-	24,998,354
Total	469,169,216	(107,102,305)	362,066,911	403,056,422	(81,784,301)	321,272,121

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Newly identified assets	Depreciation	Total
Land	30,991,190	-	(304,000)	-	-	-	30,687,190
Buildings	33,701,241	359,595	-	439,153	-	(1,359,134)	33,140,855
Plant and machinery	791,709	1,433,400	-	-	84,976	(393,510)	1,916,575
Furniture and fixtures	1,040,773	59,597	-	-	253,413	(200,790)	1,152,993
Motor vehicles	6,574,515	2,103,010	(233,574)	-	-	(1,009,800)	7,434,151
Office equipment	2,330,739	1,356,343	-	-	274,302	(536,023)	3,425,361
Infrastructure	169,354,185	-	-	18,687,797	-	(19,240,855)	168,801,127
Community	48,425,444	135,429	-	3,161,269	-	(3,217,418)	48,504,724
Bins and containers	1,452,125	-	-	-	-	(195,921)	1,256,204
Other property, plant and equipment	391,146	266,140	-	-	-	(69,414)	587,872
Specialised vehicles	1,073,333	-	-	-	-	(57,499)	1,015,834
Water tanks	147,367	77,000	-	-	-	(36,446)	187,921
Work-In-Progress	24,998,354	61,245,969	-	(22,288,219)	-	-	63,956,104
	321,272,121	67,036,483	(537,574)	-	612,691	(26,316,810)	362,066,911

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Assets written- off	Transfers	Other	Newly identified assets	Donations	Depreciation	Impairment loss	Total
Land	30,991,190	-	-	-	-	-	-	-	-	30,991,190
Buildings	34,943,823	100,500	-	-	-	-	-	(1,343,082)	-	33,701,241
Plant and machinery	656,385	239,411	-	-	-	-	134,820	(238,907)	-	791,709
Furniture and fixtures	627,401	305,109	(42,773)	-	-	303,319	100,955	(245,698)	(7,540)	1,040,773
Motor vehicles	3,282,100	4,226,380	-	-	-	-	-	(933,965)	-	6,574,515
Office equipment	1,096,415	1,338,634	(89,623)	-	-	295,476	53,597	(350,795)	(12,965)	2,330,739
Infrastructure	130,853,802	-	-	39,651,044	12,951,759	-	-	(13,964,597)	(137,823)	169,354,185
Community	49,698,204	-	-	2,618,170	-	-	-	(2,786,805)	(1,104,125)	48,425,444
Bins and containers	336,867	1,076,261	-	-	-	-	150,000	(111,003)	-	1,452,125
Security measures	900	409,741	-	-	-	-	-	(19,495)	-	391,146
Specialised vehicles	1,130,833	-	-	-	-	-	-	(57,500)	-	1,073,333
Water tanks	129,162	41,229	-	-	-	-	-	(23,024)	-	147,367
Work-In-Progress	31,609,891	41,218,845	(5,561,168)	(42,269,214)	-	-	-	-	-	24,998,354
	285,356,973	48,956,110	(5,693,564)	-	12,951,759	598,795	439,372	(20,074,871)	(1,262,453)	321,272,121

Pledged as security

There was no property, plant and equipment pledged as security.

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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3. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2017

The cumulative expenditure for assets that are in the process of being constructed/developed (work in progress), are represented by class of asset as follows:

Buildings	294,824	319,010
Infrastructure	39,870,033	17,757,277
Other Assets	23,791,247	6,922,067
	63,956,104	24,998,354

The below Capital Projects are taking longer than expected to complete. The carrying values as well as the reasons for the delays are detailed below:-

Ezwenilisha Market Stalls

- The accumulative expenditure has amounted to R76 435;
- The municipality has been experiencing delays due to land debates and issues. This has caused delays in the commencement date of construction.

KwaMnguni Sports Field (Ward 14)

- The accumulative expenditure has amounted to R1 580 953;
- The contract between the municipality and the contractor was terminated during 2016/17 financial period due to non-performance of the contractor.

KwaMnguni Sports Field (Ward 2)

- The accumulative expenditure has amounted to R645 161;
- The contract between the municipality and the contractor was terminated during 2016/17 financial period due to non-performance of the contractor.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
3. Property, plant and equipment (continued)		
Repairs & maintenance		
Repairs and maintenance incurred to maintain property, plant and equipment is represented as follows:		
Cost of service providers (contracted services)	3,275,067	12,257,641
Materials and supplies	1,249,565	6,576,500
Employee costs	1,628,282	1,382,542
	6,152,914	20,216,683

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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4. Investment property

	2017			2016		
	Cost / Valuation	Accumulated impairment	Carrying value	Cost / Valuation	Accumulated impairment	Carrying value
Investment property	41,634,000	-	41,634,000	41,936,000	-	41,936,000

Reconciliation of investment property - 2017

	Opening balance	Disposals	Total
Investment property	41,936,000	(302,000)	41,634,000

Reconciliation of investment property - 2016

	Opening balance	Derecognition	Disposal	Fair value adjustments	Total
Investment property	45,832,130	(182,000)	(2,330,000)	(1,384,130)	41,936,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Software	2,370,976	(1,749,821)	621,155	1,005,000	(826,905)	178,095

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Software	178,095	1,365,976	(922,916)	621,155

Reconciliation of intangible assets - 2016

	Opening balance	Assets written- off	Amortisation	Total
Software	321,839	(1,091)	(142,653)	178,095

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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6. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Statue	1,024,835	-	1,024,835	1,024,835	-	1,024,835

Reconciliation of heritage assets 2017

	Opening balance	Total
Statue	1,024,835	1,024,835

Reconciliation of heritage assets 2016

	Opening balance	Newly identified assets	Total
Statue	1,020,835	4,000	1,024,835

7. Receivables from non-exchange transactions

Fines	1,007,845	689,682
Third party liability - debit balances	-	156,392
Other receivables from non-exchange revenue	711,234	241,624
	1,719,079	1,087,698

Included in receivables from non-exchange transactions is:

Fines	7,282,610	5,598,649
Other	711,234	241,624
Less: Credit impairment	(6,274,765)	(4,908,968)
	1,719,079	931,306

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(4,908,968)	(3,421,981)
Provision for impairment - traffic fines	(1,365,797)	(1,486,987)
	(6,274,765)	(4,908,968)

8. VAT receivable

VAT	3,477,449	9,273,871
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Mtubatuba Municipality accounts for VAT on cash basis.

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
9. Trade and other receivables		
Gross balances		
Rates	72,169,244	58,602,049
Refuse	11,989,499	13,744,451
Security	5,937,809	5,197,827
	90,096,552	77,544,327
Less: Allowance for impairment		
Rates	(45,116,964)	(41,426,695)
Refuse	(10,756,508)	(9,717,318)
Security	(5,341,263)	(3,084,098)
	(61,214,735)	(54,228,111)
Net balance		
Rates	27,052,280	17,175,354
Refuse	1,232,991	4,027,133
Security	596,546	2,113,729
	28,881,817	23,316,216
Agriculture, business and mining		
Current (0 -30 days)	2,143,901	-
31 - 60 days	869,878	-
61 - 90 days	787,736	330,495
91 - 120 days	738,225	755,662
121 - 365 days	16,292,780	15,043,278
	20,832,520	16,129,435
Residential		
Current (0 -30 days)	3,353,748	-
31 - 60 days	1,510,781	-
61 - 90 days	1,439,696	960,601
91 - 120 days	1,400,711	1,114,852
121 - 365 days	56,374,149	49,220,078
	64,079,085	51,295,531

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
9. Trade and other receivables (continued)		
Other debtors		
Current (0 -30 days)	644,703	29,148
31 - 60 days	(500,283)	29,117
61 - 90 days	280,236	179,413
91 - 120 days	(39,950)	261,740
121 - 365 days	3,586,745	8,775,317
	3,971,451	9,274,735
Total		
Current (0 -30 days)	6,147,545	27,073
31 - 60 days	1,882,834	-
61 - 90 days	2,510,127	1,501,701
91 - 120 days	2,101,444	2,132,254
121 - 365 days	76,241,105	73,047,708
Add back: Credit balances in debtors	1,213,497	835,591
Less: Credit impairments	(61,214,735)	(54,228,111)
	28,881,817	23,316,216
Reconciliation of allowance for impairment		
Balance at beginning of the year	(54,228,111)	(43,998,856)
Contributions to allowance	(6,986,624)	(10,229,255)
	(61,214,735)	(54,228,111)
Consumer debtors past due but not impaired		
Other Consumer debtors which are 3 months past due are not considered to be impaired. At 30 June 2017, R-7,133,164.80 (2016: R 2,721,874) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	3,773,242	47,567
2 months past due	1,732,506	1,336,743
3 months past due	1,627,417	1,432,698
10. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	15,005	15,000
Bank balances	4,932,168	1,356,957
Short-term deposits	2,308,486	14,578,997
Other cash and cash equivalents	319,668	209,941
	7,575,327	16,160,895

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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10. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
First National Bank - Primary - 53093735184	4,165,675	1,316,363	13,182,186	4,165,675	1,317,355	13,182,186
First National Bank - Eskom - 71044025057	191,600	191,600	191,600	191,600	191,600	191,600
First National Bank - Money Market - 62424097831	1,348,148	1,277,446	52,260	1,348,148	1,277,446	52,260
First National Bank - Call Account - 62424098376	735,056	12,970,386	85,126	735,056	12,970,386	85,126
First National Bank - Money Market 3 - 62424094986	33,681	31,962	30,643	33,681	31,962	30,643
First National Bank - Traffic Fines - 62451696995	301,698	289,633	274,045	301,698	289,579	274,045
First National Bank - Petty Cash - 62393938249	39,614	39,602	-	39,614	39,602	15,159
Investec Fixed Deposit	144,457	-	-	144,457	-	-
Ithala Corporate Fixed Deposit	460,914	-	-	460,914	-	-
Nedbank Limited Investment	121,509	-	-	121,509	-	-
Cash on hand	-	-	-	15,004	15,000	4,760
Cashiers collection	-	-	-	17,971	27,964	8,621
Total	7,542,352	16,116,992	13,815,860	7,575,327	16,160,894	13,844,400

11. Finance lease obligation

Minimum lease payments due

- within one year	-	49,128
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It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 9-% (2016: 9-%).

Interest rates are linked to prime at the contract date. Lease motor vehicle serves as a security of the vehicle finance loan.

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Low Cost Housing Grant	1,232,377	1,232,377
Infrastructure Sport Facilities	321,756	321,755
MTB library computer assistance	2,489	44,352
Sport & recreation grant	891,520	-
Finance management	31	-
Energy, Efficiency and Demand Grant	-	913,760
	2,448,173	2,512,244

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
12. Unspent conditional grants and receipts (continued)		
Movement during the year		
Balance at the beginning of the year	2,512,244	3,268,940
Additions during the year	51,894,000	37,846,000
Income recognition during the year	(51,958,071)	(38,602,696)
	2,448,173	2,512,244

13. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Interest cost	Service cost	Total
Environmental rehabilitation	21,576,691	984,504	(845,177)	-	-	21,716,018
Long Service Award Benefits - Short Term Portion	64,261	63,399	(64,261)	-	-	63,399
Long Service Award Benefits - Long Term	1,563,679	58,700	(115,216)	139,131	180,237	1,826,531
	23,204,631	1,106,603	(1,024,654)	139,131	180,237	23,605,948

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Interest cost	Service cost	Total
Environmental rehabilitation	3,671,842	17,896,826	(554,655)	562,678	-	21,576,691
Long Service Award Benefits - Short Term Portion	-	64,261	-	-	-	64,261
Long Service Award Benefits	1,391,417	38,865	(146,850)	117,169	163,078	1,563,679
	5,063,259	17,999,952	(701,505)	679,847	163,078	23,204,631

Non-current liabilities	23,542,549	23,140,370
Current liabilities	63,399	64,261
	23,605,948	23,204,631

Environmental rehabilitation provision

The municipality was issued with a waste management licence for the operation with intention of closure, decommissioning and rehabilitation of Mtubatuba waste disposal site on 25 January 2016. The licence is valid for a period of 5 years from date of issue. The municipality was also issued with a licence to close, decommission and rehabilitate the St Lucia waste disposal site from 31 March 2016. The St Lucia waste disposal site is now closed. The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 10.25% over a period of 5 years (licence period).

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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13. Provisions (continued)

Long Service Awards Provision

In line with the guidelines of the Bargaining Council, the municipality remunerates its employees for the long services rendered to the municipality. The estimates of the present obligation are determined through the use of the Actuarial expertise. Such estimates are reviewed annually at end of the financial year. The finance cost and actuarial gains or losses are recognised directly in the statement of financial performance.

The municipality offers bonuses for every 5 years of completed service from 10 to 45 years. Long service accumulated leave must be taken within one year of receiving such leave or wholly or partially cashed. In most cases, employees choose to exercise the option to wholly convert their accumulated leave bonus into cash.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Key assumptions

Discount rate	8.95%
CPI	5.74%
Salary increase rate	6.74%
Net Discount Rate	2.07%
Mortality	SA67-70

14. Payables from exchange transactions

Trade payables	4,762,834	1,845,258
Accrued leave pay	5,312,858	4,483,482
Accrued bonus	1,259,818	1,015,466
Accrued expenses	10,826,846	9,174,967
Retentions	5,453,255	3,196,486
	27,615,611	19,715,659

15. Third party payables

Medical aid contributions	348,713	9,934
PAYE, SDL & UIF	618,786	1,454,417
Pension fund contributions	686,143	16,367
Other contributions	286,709	26,879
	1,940,351	1,507,597

Third party payables in respect of all payroll related deductions.

Mtubatuba Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
16. Government grants and subsidies		
Operating grants		
Equitable share	119,414,000	116,487,000
Finance management grant / budget and treasury office	1,824,969	1,800,000
Library provincial support grant / libraries and archives	2,405,000	2,378,000
M T B library assistants - cadets/libraries and archives	399,862	361,717
EPWP/Road transport/Roads	1,408,000	1,000,000
Sport caretakers/Community	3,108,480	17,667
Infrastructure Sport Facilities Grant	-	1,631,072
MSIG Ward Committees	-	930,000
MIG Operational	2,512,253	1,427,683
Energy Efficiency and Demand Grant	913,760	86,240
	<u>131,986,324</u>	<u>126,119,379</u>
Capital grants		
Municipal Infrastructure Grant (MIG)	27,790,747	29,348,317
National Electrification Programme	14,000,000	2,000,000
	<u>41,790,747</u>	<u>31,348,317</u>
	<u>173,777,071</u>	<u>157,467,696</u>
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Low cost housing grant		
Balance unspent at beginning of year	<u>1,232,377</u>	<u>1,232,377</u>
Conditions still to be met - remain liabilities (see note 12).		
The municipality is still waiting for approval from the Department of Human Settlements to use the funds.		
Infrastructure sport facilities		
Balance unspent at beginning of year	321,755	1,952,828
Conditions met - transferred to revenue	-	(1,631,073)
	<u>321,755</u>	<u>321,755</u>
Conditions still to be met - remain liabilities (see note 12).		
National Electrification Grant		
Current-year receipts	14,000,000	2,000,000
Conditions met - transferred to revenue	(14,000,000)	(2,000,000)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 12).

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
16. Government grants and subsidies (continued)		
MTB Library Computer Assistance		
Balance unspent at beginning of year	44,352	66,068
Current-year receipts	358,000	340,000
Conditions met - transferred to revenue	(399,863)	(361,716)
	2,489	44,352
Conditions still to be met - remain liabilities (see note 12).		
MSIG municipal support		
Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)
	-	-
Conditions still to be met - remain liabilities (see note 12).		
Extended public works		
Current-year receipts	1,408,000	1,000,000
Conditions met - transferred to revenue	(1,408,000)	(1,000,000)
	-	-
Conditions still to be met - remain liabilities (see note 12).		
Municipal infrastructure grant		
Current-year receipts	30,303,000	30,776,000
Conditions met - transferred to revenue	(30,303,000)	(30,776,000)
	-	-
Conditions still to be met - remain liabilities (see note 12).		
Sport & recreation caretakers		
Balance unspent at beginning of year	-	17,667
Current-year receipts	4,000,000	-
Conditions met - transferred to revenue	(3,108,480)	(17,667)
	891,520	-
Conditions still to be met - remain liabilities (see note 12).		
The contractor is still on site, the conditions will be met as soon the contractor has completed on site.		
Finance management grant		
Current-year receipts	1,825,000	1,800,000
Conditions met - transferred to revenue	(1,824,969)	(1,800,000)
	31	-
Conditions still to be met - remain liabilities (see note 12).		

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	2017 R	2016 R
16. Government grants and subsidies (continued)		
Energy Efficiency and Demand Grant		
Balance unspent at beginning of year	913,760	-
Current-year receipts	-	1,000,000
Conditions met - transferred to revenue	(913,760)	(86,240)
	-	913,760
Conditions still to be met - remain liabilities (see note 12).		
17. General expenses		
Advertising	2,033,507	1,059,620
Auditors remuneration	1,673,321	1,227,574
Bank charges	242,405	314,147
Public participation	2,343,238	333,425
Consulting and professional fees	15,728,009	10,918,684
Consumables	727,030	280,144
Councillors training	294,890	103,679
Entertainment	27,706	-
Plant hire	155,250	-
Insurance	324,709	355,387
Disaster Management	9,408,183	3,321,447
IT expenses	538,623	607,191
Motor vehicle expenses	29,987	290,057
Fuel and oil	1,796,288	1,115,602
Postage and courier	15,529	50,923
Printing and stationery	814,441	671,607
Subscriptions and membership fees	555,722	493,502
Telephone and fax	1,899,887	1,187,805
Training	497,202	553,081
Travelling and accommodation	7,429,040	2,257,935
Refuse	105,286	-
Electricity	1,720,185	822,113
Uniforms	793,420	438,375
Special Programmes	6,223,805	1,906,394
Grants	99,750	-
Other Expenses	612,360	2,952,315
Ammunition	-	12,000
Contracted services - repairs and maintenance	3,275,067	12,257,641
Lease rentals on operating lease	1,907,232	1,548,884
Consultants executive	1,740,000	558,000
Maintenance Plan	-	1,030,455
Material - repairs and maintenance	1,249,565	6,576,500
	64,261,637	53,244,487

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	2017 R	2016 R
18. Employee related costs		
Basic	31,465,861	26,152,094
Medical aid - company contributions	2,752,183	2,121,160
UIF	279,473	302,265
SDL	598,825	423,667
Other payroll levies	15,117	17,860
Leave pay accrual	1,573,799	280,282
Group life insurance	1,590,467	902,385
Short term benefit	1,088,004	905,078
Defined contribution plans	4,143,469	3,384,638
Travel, motor car, accommodation, subsistence and other allowances	95,765	78,852
Overtime payments	4,241,577	1,988,996
Long-service awards	122,859	119,354
13th Cheques	1,886,755	1,388,457
Car allowance	4,282,064	2,982,891
Housing benefits and allowances	767,023	648,589
Telephone allowances	55,460	60,290
Standby allowance	137,731	74,715
Long-term benefits - incentive scheme	-	29,964
	55,096,432	40,502,968
Remuneration - Municipal Manager		
Annual Remuneration	469,954	1,097,608
Car Allowance	60,000	50,993
Cellphone allowance	14,480	6,000
Other	46,251	2,315
Pension	-	-
	590,685	1,156,916
Remuneration - Chief Finance Officer		
Annual Remuneration	400,577	370,585
Car Allowance	73,600	36,569
Performance Bonuses	-	30,000
Cellphone Allowance	10,000	-
Other	61,802	18,904
Pension	-	-
	545,979	456,058
Remuneration - Director Corporate Services		
Annual Remuneration	576,972	539,993
Car Allowance	189,900	180,000
Cellphone Allowance	25,320	24,000
Other	195,393	86,143
Pension	-	-
	987,585	830,136

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	2017 R	2016 R
18. Employee related costs (continued)		
Remuneration - Director Community Services		
Annual Remuneration	-	52,488
Car Allowance	-	10,564
Performance Bonuses	-	15,084
Cellphone Allowance	-	2,000
Other	-	62,074
Pension	-	-
	-	142,210
Remuneration - Director Technical Services		
Annual Remuneration	-	656,100
Car Allowance	-	181,002
Cellphone Allowance	-	24,000
Other	58,789	63,448
Pension	-	-
	58,789	924,550
19. Remuneration of councillors		
The Mayor	769,726	565,216
Deputy Mayor	601,468	454,933
Mayoral Committee Members	2,009,387	713,745
Speaker	570,387	452,982
Councillors	8,491,396	9,614,595
	12,442,364	11,801,471
In-kind benefits		
The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has the use of separate Council owned vehicles for official duties.		
The Mayor has two full-time bodyguards. The Deputy Mayor and speaker have two and one full-time bodyguards respectively.		
The salaries, fringe benefits and allowances payable to councillors, as disclosed above, are within the limits as determined by the MEC for Cooperative Governance and Traditional Affairs.		
20. Debt impairment and write offs		
Debt impairment/(reversal of debt impairment)	8,352,421	11,737,942
Debts written off	10,269,509	5,780,039
	18,621,930	17,517,981
21. Depreciation, amortisation and impairment		
Property, plant and equipment	26,316,809	21,337,323
Intangible assets	922,916	142,653
	27,239,725	21,479,976

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	2017 R	2016 R
22. Finance costs		
Interest on borrowings	1,452,730	5,630,695
Interest other	657,926	1,024,356
	2,110,656	6,655,051
23. Auditors' remuneration		
Fees	1,673,321	1,227,574
24. Contracted services		
Security Services	16,381,596	9,702,694
Waste management	6,426,951	6,269,621
Specialist Services - Traffic	-	775,097
Other Contractors	240,000	-
	23,048,547	16,747,412
25. Cash generated from operations		
Surplus	23,129,418	26,586,579
Adjustments for:		
Depreciation and amortisation	27,239,725	21,479,976
Gain on sale of assets and liabilities	1,737	1,014,211
Assets written-off	302,000	5,790,496
Fair value adjustments	-	1,384,130
Debt written off / Debt impairment	18,621,930	17,517,981
Movements in retirement benefit liabilities	10,000	65,000
Movements in provisions	401,317	18,141,372
Outstanding proceeds on asset disposal	350,882	-
Revaluations	-	(12,951,759)
Newly identified assets	-	(4,000)
Donated assets	-	(439,373)
Derecognition of retention on asset write-off	-	86,160
Other non-cash items	-	1,315,789
Changes in working capital:		
Consumer debtors	(24,187,531)	(21,127,392)
Other receivables from non-exchange transactions	(631,381)	(136,936)
Payables from exchange transactions	7,899,951	5,390,286
VAT	5,796,422	(8,623,098)
Payroll accruals	432,754	(102,968)
Unspent conditional grants and receipts	(64,071)	(756,696)
	59,303,153	54,629,758

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	2017 R	2016 R
26. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure	58,503,710	66,032,106
• Electrification	1,756,579	17,496,820
	60,260,289	83,528,926
Not yet contracted for and authorised by accounting officers		
• Infrastructure	21,350,000	19,850,000
• Electrification	14,910,000	-
	36,260,000	19,850,000
Total capital commitments		
Already contracted for but not provided for	60,260,289	83,528,926
Not yet contracted for and authorised by accounting officers	36,260,000	19,850,000
	96,520,289	103,378,926

This committed expenditure relates to infrastructure, community and electrification projects and will be financed by government grants.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	854,606	557,190
- in second to fifth year inclusive	623,998	-
	1,478,604	557,190

Operating lease payments represent rentals payable by the municipality for its office equipment and machines. Leases are negotiated for an average term of three years.

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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27. Contingencies

The following cases against the municipality are still pending and management consider them as contingent liabilities:
2017

(1) Thokozani Ndlanzi v The minister of Police and Mtubatuba Municipality - The plaintiff (Mr Ndlazi) was arrested without a warrant and was not informed of his S35 constitutional rights. Thus Mr Ndlazi claims his arrest was unlawful and now claims R250 000,00 from the minister of police and Mtubatuba municipality. The matter has been set down for pre-trial conference to prepare for trial. Once the pre trial conference has been concluded, the matter will be set down for trial. Financial exposure inclusive of costs and disbursements is estimated to be R13 728,23.

(2) Sumwu obo KI Mkhwanazi & 31 Others. The quantum is being computed by the CFO. The costs and disbursements going forward could be the order of R500 000.00. Whilst the defence of the claim is not without its challenges, there are prospects of successfully doing so.

(3) Mtubatuba vs SR Ntuli. Matter is still at pre-trial stage & ready for trial. The claim is for R250 000,00.

(4) Mtubatuba Mun vs SSR Myeni & Others. Matter is still at pre-trial stage & ready for trial. The claim is for R250 000,00.

(5) Mtubatuba Municipality v Skills Direct Facilitators. Skills Direct Facilitators are claiming an amount of R15 200 due to damages incurred when the plaintiff's vehicle collided with a pothole within the Mtubatuba jurisdiction. We confirm that the Municipality's plea to the claim has been filed and served. Fees and disbursements are estimated to be R4 197 and R5 000 respectively.

(6) Mtubatuba Municipality v Which Hunter Construction & Security Services. The plaintiff is claiming an amount of R353 400 from the municipality for the breach of contract. We confirm that the municipality's plea and counterclaim has been filed and served. Fees and disbursements are estimated to be R16 790 and R1 538,69 respectively.

(7) Mtubatuba Municipality v JMB Hadebe and Others. We confirm that the Notice of intention of expropriation has been filed and served. Contingent liability: potentially between R1 and R35 million rand or possibly more. The municipality is in the process of expropriating the land in question. A price will ultimately have to be determined. The Hadebe Trust has proposed selling the property to the municipality for R35 million. However in our view, the property may potentially be acquired by the municipality for a substantially lesser amount.

28. Related parties

There were no transactions with related parties that were not at arm's length or that were not in the ordinary course of business.

29. Prior period errors

1. Retentions

Through the detailed review of the retention schedule, payment certificates and suppliers module, the municipality discovered that some of the retention balances as at 30 June 2016 were actually released in the prior years. This resulted to overstatement of Payables from exchange transactions balance and VAT. The error constitutes a prior period error in terms of GRAP. The municipality has processed the necessary correcting entries in order to ensure fair presentation.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Retention	477,408
VAT	(58,629)
Opening Accumulated Surplus	<u>418,778</u>

Account balance	Previously reported June 2016	Adjustment	Restated
Retention	(3,673,894)	477,408	(3,196,486)
VAT	9,332,501	(58,629)	9,273,872
Accumulated Surplus	-	(418,779)	(418,779)
	<u>5,658,607</u>	<u>-</u>	<u>5,658,607</u>

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Notes to the Annual Financial Statements

30. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Current liabilities

Trade and other payables from exchange transactions	27,615,611	19,715,659
Finance lease	-	49,128
Unspent conditional grants	2,448,173	2,512,243
	30,063,784	22,277,030

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Consumer debtors comprise of a large number of ratepayers dispersed across different sectors and geographical areas. Management evaluated credit risk relating to customers on an ongoing basis. Credit exposure is managed by application of the municipality's policies regarding credit control and debt collection. The municipality has made a provision for doubtful debts in accordance to its policies. The carrying amount of financial assets is the maximum exposure to credit risk in relation to these assets.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
Trade and other receivables from exchange transactions	28,881,817	23,316,216
Trade and other receivables from non-exchange transactions	1,719,079	1,087,698
Cash and cash equivalent - Bank balances	7,575,327	16,160,895

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

31. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officers continue to procure funding for the ongoing operations for the municipality.

32. Events after the reporting date

There were no adjusting and non-adjusting events after the reporting date.

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33. Unauthorised expenditure

Opening Balance	83,637,683	43,647,821
Current year movement - actual expenditure exceeds budget	27,904,625	36,250,231
Unauthorised expenditure - water services	10,519,534	3,739,631
	122,061,842	83,637,683

The current year over-expenditure relates to non-cash items in respect of Depreciation, Credit impairment, Provision for 13th cheque bonus and the Provision for accumulated leave days.

Included in the above unauthorised expenditure amount is a payment made for the provision of water services in contravention of Section 41(f) and (g) of the Constitution of South Africa. The provision of Water Services is a function of the District Municipality. To be referred to National Treasury for condonation.

34. Fruitless and wasteful expenditure

Opening balance	8,973,403	1,459,973
Interest on late payments	448,587	115,272
Penalties - SARS	444,161	671,097
KwaMsane Taxi rank	-	5,561,167
Corridor Development	-	1,165,894
Settlement agreement - Inyala Security	1,500,000	-
Legal Fees - Scheepers Spies Mdaka	128,019	-
Notice of attachment - Delca Systems	401,314	-
	11,895,484	8,973,403

Fruitless and wasteful expenditure relates to interest and penalties paid on overdue accounts, as well as statutory obligations not honoured on time. In addition fruitless and wasteful expenditure includes expenses incurred on KwaMsane Taxi Rank which has been dismantled due structural defectiveness and Corridor Development project that could not be identified.

35. Irregular expenditure

Opening balance	49,315,591	39,991,111
Add: Irregular Expenditure - current year	9,582,316	9,324,480
Add: SCM Deviations	18,586,680	2,535,067
Less: SCM Deviations reported	(18,586,680)	(2,535,067)
	58,897,907	49,315,591

Irregular expenditure relates to procurement of goods and services without following proper supply chain management processes. Irregular expenditure has been submitted to council and the council referred it to the MPAC for investigation.

36. Medical Aid Subsidy Liability

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of obligation	(2,292,000)	(2,227,000)
Interest cost	(212,000)	(188,000)
Actuarial gain or (loss)	67,000	(6,000)
Medical aid contribution	135,000	129,000
	(2,302,000)	(2,292,000)

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Notes to the Annual Financial Statements

36. Medical Aid Subsidy Liability (continued)

Other assumptions

Profile of active employees:

	Number of continuation pensioners
Age<59	-
Age 60-64	1
Age 65-69	2
Age 70-74	1
Age>75	-
Average age	67
Average employer monthly contribution	2,567

37. Property rates

Rates

Municipal	31,196,046	28,739,395
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Valuations

Agricultural	927,555,000	829,946,000
Business/Commercial	909,486,000	887,613,000
Public service purposes	348,039,000	342,729,000
Municipal	5,009,000	5,009,000
Place of worship	17,088,000	17,088,000
Public service infrastructure	7,051,000	7,675,000
Rural communal land	5,735,000	5,735,000
Residential	1,965,202,000	1,975,137,000
Vacant land	48,208,000	48,208,000
	4,233,373,000	4,119,140,000

Property rates tariffs:

Agricultural: 0.0197c in the Rand

Business or commercial: 0.01375c in the Rand

Public service infrastructure: 0.00197c in the Rand

Vacant Land: 0.00786c in the Rand

Residential: 0.00786c in the Rand

Hospitality: 0.01375c in the Rand

38. Fines

Traffic fines	1,885,750	1,641,150
Library fines	10,812	3,685
	1,896,562	1,644,835

39. Interest revenue

Interest revenue

Bank	2,014,252	1,677,647
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	2017 R	2016 R	
40. Comparative figures			
Certain comparative figures have been reclassified.			
The effects of the reclassification are as follows:			
Statement of financial performance - extract			
	Comparative figures previously reported	Reclassificatio n	After reclassification
Repairs and maintenance	(18,834,141)	18,834,141	-
General expenses	(35,761,503)	(17,482,984)	(53,244,487)
Employee costs	(40,510,380)	(1,351,157)	(41,861,537)
Total	(95,106,024)	-	(95,106,024)
41. Additional disclosure in terms of Municipal Finance Management Act			
Contributions to organised local government			
Current year subscription / fee	505,857	493,502	
Amount paid - current year	(505,857)	(493,502)	
	-	-	
Audit fees			
Opening balance	-	1,350	
Current year subscription / fee	1,924,843	1,227,575	
Amount paid - current year	(1,924,843)	(1,228,925)	
	-	-	
PAYE and UIF			
Opening balance	1,414,015	532,108	
Current year subscription / fee	9,382,209	6,355,993	
Amount paid - current year	(10,239,911)	(5,474,086)	
	556,313	1,414,015	
Pension and Medical Aid Deductions			
Opening balance	(94,282)	924,561	
Current year subscription / fee	11,952,540	9,934,127	
Amount paid - current year	(10,838,138)	(10,952,970)	
	1,020,120	(94,282)	
VAT			
VAT receivable	3,477,449	9,273,871	

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

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41. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mrs MM Davies	1,689	-	1,689
Mr NE Zuma	1,610	717	2,327
Mr RB Mkhwanazi	944	39,444	40,388
Ms JB Lembede	1,841	70,406	72,247
	6,084	110,567	116,651
30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mrs MM Davies	-	8,028	8,028
Mr NE Zuma	-	9,133	9,133
Mr RB Mkhwanazi	-	36,949	36,949
Mrs AR Roy	-	38,228	38,228
	-	92,338	92,338

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

42. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

Various items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the Council who considered them and subsequently approved the deviation from the normal supply chain management regulations. The deviations for 2017 - R17 552 843 and 2016 - R2 535 067.

Appendix B

June 2017

Analysis of property, plant and equipment as at 30 June 2017

Cost/Revaluation

Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Donated assets	Newly identified assets	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings														
Land (Separate for AFS purposes)	30,991,190	-	(304,000)	-	-	-	30,687,190	-	-	-	-	-	-	30,687,190
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	40,376,198	359,595	-	439,152	-	-	41,174,945	(6,674,956)	-	-	(1,359,134)	-	(8,034,090)	33,140,855
	71,367,388	359,595	(304,000)	439,152	-	-	71,862,135	(6,674,956)	-	-	(1,359,134)	-	(8,034,090)	63,828,045
Infrastructure														
Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bus terminals and taxi	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road network	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sanitation network	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stormwater network	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	225,046,588	-	-	18,687,798	-	-	243,734,386	(55,692,404)	-	-	(19,240,855)	-	(74,933,259)	168,801,127
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	225,046,588	-	-	18,687,798	-	-	243,734,386	(55,692,404)	-	-	(19,240,855)	-	(74,933,259)	168,801,127
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	60,828,863	135,430	-	3,161,269	-	-	64,125,562	(12,403,420)	-	-	(3,217,418)	-	(15,620,838)	48,504,724
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	60,828,863	135,430	-	3,161,269	-	-	64,125,562	(12,403,420)	-	-	(3,217,418)	-	(15,620,838)	48,504,724

Appendix B

June 2017

Analysis of property, plant and equipment as at 30 June 2017

Cost/Revaluation						Accumulated depreciation							
Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Donated assets	Newly identified assets	Depreciation	Impairment loss	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Heritage assets

Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other - Statue	1,024,835	-	-	-	-	1,024,835	-	-	-	-	-	-	1,024,835
	1,024,835	-	-	-	-	1,024,835	-	-	-	-	-	-	1,024,835

Work in progress

Work in progress	24,998,353	61,245,971	-	(22,288,220)	-	63,956,104	-	-	-	-	-	-	63,956,104
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	24,998,353	61,245,971	-	(22,288,220)	-	63,956,104	-	-	-	-	-	-	63,956,104

Other assets

General vehicles	10,388,582	2,103,010	(233,574)	-	-	-	12,258,018	(3,814,067)	-	-	(1,009,800)	-	(4,823,867)	7,434,151
Plant & equipment	1,174,231	1,433,400	-	-	-	84,976	2,692,607	(382,522)	-	-	(393,510)	-	(776,032)	1,916,575
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	2,471,016	59,597	-	-	-	253,413	2,784,026	(1,430,243)	-	-	(200,790)	-	(1,631,033)	1,152,993
Office Equipment	3,192,376	1,356,343	-	-	-	274,302	4,823,021	(861,637)	-	-	(536,023)	-	(1,397,660)	3,425,361
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water tanks	183,247	77,000	-	-	-	-	260,247	(35,881)	-	-	(36,445)	-	(72,326)	187,921
Other security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	1,726,161	-	-	-	-	-	1,726,161	(274,036)	-	-	(195,921)	-	(469,957)	1,256,204
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leased motor vehicle	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised	1,150,000	-	-	-	-	-	1,150,000	(76,667)	-	-	(57,499)	-	(134,166)	1,015,834
Other	529,616	266,140	-	-	-	-	795,756	(138,470)	-	-	(69,414)	-	(207,884)	587,872
	20,815,229	5,295,490	(233,574)	-	-	612,691	26,489,836	(7,013,523)	-	-	(2,499,402)	-	(9,512,925)	16,976,911

Appendix B

June 2017

Analysis of property, plant and equipment as at 30 June 2017

Cost/Revaluation

Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Donated assets	Newly identified assets	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment														
Land and buildings	71,367,388	359,595	(304,000)	439,152	-	-	71,862,135	(6,674,956)	-	-	(1,359,134)	-	(8,034,090)	63,828,045
Infrastructure	225,046,588	-	-	18,687,798	-	-	243,734,386	(55,692,404)	-	-	(19,240,855)	-	(74,933,259)	168,801,127
Community Assets	60,828,863	135,430	-	3,161,269	-	-	64,125,562	(12,403,420)	-	-	(3,217,418)	-	(15,620,838)	48,504,724
Heritage assets	1,024,835	-	-	-	-	-	1,024,835	-	-	-	-	-	-	1,024,835
Work in progress	24,998,353	61,245,971	-	(22,288,220)	-	-	63,956,104	-	-	-	-	-	-	63,956,104
Other assets	20,815,229	5,295,490	(233,574)	-	-	612,691	26,489,836	(7,013,523)	-	-	(2,499,402)	-	(9,512,925)	16,976,911
	404,081,256	67,036,486	(537,574)	(1)	-	612,691	471,192,858	(81,784,303)	-	-	(26,316,809)	-	(108,101,112)	363,091,746
Non-current assets held-for-sale														
Non-current assets Held-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	1,005,000	1,365,976	-	-	-	-	2,370,976	(826,905)	-	-	(922,916)	-	(1,749,821)	621,155
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1,005,000	1,365,976	-	-	-	-	2,370,976	(826,905)	-	-	(922,916)	-	(1,749,821)	621,155
Investment properties														
Land and buildings	41,936,000	-	(302,000)	-	-	-	41,634,000	-	-	-	-	-	-	41,634,000
	41,936,000	-	(302,000)	-	-	-	41,634,000	-	-	-	-	-	-	41,634,000
Total														
Land and buildings	71,367,388	359,595	(304,000)	439,152	-	-	71,862,135	(6,674,956)	-	-	(1,359,134)	-	(8,034,090)	63,828,045
Infrastructure	225,046,588	-	-	18,687,798	-	-	243,734,386	(55,692,404)	-	-	(19,240,855)	-	(74,933,259)	168,801,127
Community Assets	60,828,863	135,430	-	3,161,269	-	-	64,125,562	(12,403,420)	-	-	(3,217,418)	-	(15,620,838)	48,504,724
Heritage assets	1,024,835	-	-	-	-	-	1,024,835	-	-	-	-	-	-	1,024,835
Work in progress	24,998,353	61,245,971	-	(22,288,220)	-	-	63,956,104	-	-	-	-	-	-	63,956,104
Other assets	20,815,229	5,295,490	(233,574)	-	-	612,691	26,489,836	(7,013,523)	-	-	(2,499,402)	-	(9,512,925)	16,976,911
Non-current assets held-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	1,005,000	1,365,976	-	-	-	-	2,370,976	(826,905)	-	-	(922,916)	-	(1,749,821)	621,155
Investment properties	41,936,000	-	(302,000)	-	-	-	41,634,000	-	-	-	-	-	-	41,634,000
	447,022,256	68,402,462	(839,574)	(1)	-	612,691	515,197,834	(82,611,208)	-	-	(27,239,725)	-	(109,850,933)	405,346,901

Appendix B

Analysis of property, plant and equipment as at 30 June 2016	
Cost/Revaluation	Accumulated depreciation

[illegible]

Appendix B

June 2017

Analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other - statue	1,020,835	-	-	-	-	-	1,020,835	-	-	-	-	-	-	1,020,835
	1,020,835	-	-	-	-	-	1,020,835	-	-	-	-	-	-	1,020,835
Work in progress														
Work in progress	37,848,455	30,133,212	(17,467,453)	-	-	-	50,514,214	-	-	-	-	-	-	50,514,214
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	37,848,455	30,133,212	(17,467,453)	-	-	-	50,514,214	-	-	-	-	-	-	50,514,214
Other assets														
General vehicles	1,753,754	1,016,656	-	-	-	-	2,770,410	(1,132,968)	-	-	(273,912)	-	(1,406,880)	1,363,530
Plant & equipment	288,402	535,200	(23,601)	-	-	-	800,001	(58,536)	7,622	-	(92,701)	-	(143,615)	656,386
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	1,985,914	5,839	(79,470)	-	-	-	1,912,283	(1,068,848)	66,832	-	(282,759)	-	(1,284,775)	627,508
Office Equipment	1,234,963	654,549	(85,085)	-	-	-	1,804,427	(543,640)	76,716	-	(241,794)	-	(708,718)	1,095,709
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leased motor vehicle	3,392,281	-	-	-	-	-	3,392,281	(1,137,798)	-	-	(335,423)	-	(1,473,221)	1,919,060
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised	-	1,150,000	-	-	-	-	1,150,000	-	-	-	(19,167)	-	(19,167)	1,130,833
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water tanks	2,798	139,221	-	-	-	-	142,019	(433)	-	-	(12,424)	-	(12,857)	129,162
Other security measures	131,010	-	(10,236)	-	-	-	120,774	(129,870)	10,236	-	(240)	-	(119,874)	900
Bins and Containers	351,154	149,500	(751)	-	-	-	499,903	(116,278)	754	-	(47,394)	-	(162,918)	336,985
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	9,140,276	3,650,965	(199,143)	-	-	-	12,592,098	(4,188,371)	162,160	-	(1,305,814)	-	(5,332,025)	7,260,073

Appendix B

June 2017

Analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	71,046,888	220,000	-	-	-	-	71,266,888	(3,994,241)	-	-	(1,337,634)	-	(5,331,875)	65,935,013
Infrastructure	165,753,194	6,443,209	-	-	-	-	172,196,403	(31,292,964)	-	-	(10,175,386)	-	(41,468,350)	130,728,053
Community Assets	47,433,826	11,024,245	-	-	-	-	58,458,071	(3,459,144)	-	-	(3,327,559)	-	(6,786,703)	51,671,368
Heritage assets	1,020,835	-	-	-	-	-	1,020,835	-	-	-	-	-	-	1,020,835
Work in progress	37,848,455	30,133,212	(17,467,453)	-	-	-	50,514,214	-	-	-	-	-	-	50,514,214
Other assets	9,140,276	3,650,965	(199,143)	-	-	-	12,592,098	(4,188,371)	162,160	-	(1,305,814)	-	(5,332,025)	7,260,073
	332,243,474	51,471,631	(17,666,596)	-	-	-	366,048,509	(42,934,720)	162,160	-	(16,146,393)	-	(58,918,953)	307,129,556
Non-current assets held for sale														
Non-current assets held for sale	15,687,684	-	-	-	-	-	15,687,684	-	-	-	-	-	-	15,687,684
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	15,687,684	-	-	-	-	-	15,687,684	-	-	-	-	-	-	15,687,684
Intangible assets														
Computers - software & programming	412,193	556,775	-	-	-	-	968,968	(271,635)	-	-	(273,031)	-	(544,666)	424,302
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	412,193	556,775	-	-	-	-	968,968	(271,635)	-	-	(273,031)	-	(544,666)	424,302
Investment properties														
Investment property	25,684,000	558,300	-	-	-	-	26,242,300	-	-	-	-	-	-	26,242,300
	25,684,000	558,300	-	-	-	-	26,242,300	-	-	-	-	-	-	26,242,300
Total														
Land and buildings	71,046,888	220,000	-	-	-	-	71,266,888	(3,994,241)	-	-	(1,337,634)	-	(5,331,875)	65,935,013
Infrastructure	165,753,194	6,443,209	-	-	-	-	172,196,403	(31,292,964)	-	-	(10,175,386)	-	(41,468,350)	130,728,053
Community Assets	47,433,826	11,024,245	-	-	-	-	58,458,071	(3,459,144)	-	-	(3,327,559)	-	(6,786,703)	51,671,368
Heritage assets	1,020,835	-	-	-	-	-	1,020,835	-	-	-	-	-	-	1,020,835
Work in progress	37,848,455	30,133,212	(17,467,453)	-	-	-	50,514,214	-	-	-	-	-	-	50,514,214
Other assets	9,140,276	3,650,965	(199,143)	-	-	-	12,592,098	(4,188,371)	162,160	-	(1,305,814)	-	(5,332,025)	7,260,073
Non-current assets held for sale	15,687,684	-	-	-	-	-	15,687,684	-	-	-	-	-	-	15,687,684
Intangible assets	412,193	556,775	-	-	-	-	968,968	(271,635)	-	-	(273,031)	-	(544,666)	424,302
Investment properties	25,684,000	558,300	-	-	-	-	26,242,300	-	-	-	-	-	-	26,242,300
	374,027,351	52,586,706	(17,666,596)	-	-	-	408,947,461	(43,206,355)	162,160	-	(16,419,424)	-	(59,463,619)	349,483,842